

NORTHLAND OILS LIMITED

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Northland Oils Limited will be held at the offices of the Company at 209 Eighth Avenue S.W., Calgary, Alberta, on Friday, November 20th, 1970, at 10:30 o'clock in the forenoon, Mountain Standard Time, for the purpose of:

- (a) Receiving and considering the Report of the Directors and the Financial Statements for the year ended May 31, 1970, and the Report of the Auditors thereon;
- (b) Electing Directors;
- (c) Appointing Auditors; and
- (d) Transacting such further and other business as may properly be brought before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on October 30th, 1970, as the record date for the determination of shareholders entitled to notice of and to vote at said Annual General Meeting of Shareholders or any adjournment or adjournments thereof. Pursuant to the Articles of Association of the Company, proxies must be received in the office of the Company not less than forty-eight hours before the time fixed for the meeting.

By Order of the Board of Directors,

W. G. NICHOLS,
Secretary-Treasurer.

October 21, 1970

NORTHLAND OILS LIMITED

INFORMATION CIRCULAR

This information circular is furnished by the Management of NORTHLAND OILS LIMITED in connection with the solicitation of proxies to be used at the Annual General Meeting of Shareholders of the Company called for November 20, 1970, for the purposes set forth in the preceding notice.

Solicitation will be by mail, supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders' nominees or agents for the costs incurred in obtaining from their principals authorization to execute forms of proxy. The entire cost of solicitation will be borne by the Company.

If the accompanying separate proxy form is executed and returned it may nevertheless be revoked in writing at any time.

ELECTION OF DIRECTORS

Directors are to be elected to hold office until the next annual general meeting and until their successors are elected and shall qualify.

Proxy forms which are given pursuant to this solicitation will be voted for the election of the nominees whose names are set forth herein:

<u>Nominees for Directors and Principal Occupation in each case for a period in excess of the five preceding years.</u>	<u>Director Since</u>	<u>Approximate number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly as of October 1, 1970.</u>
Kent E. Prestwich, Chairman of the Board and Chief Executive Officer of the Company; National Petroleum Corporation Limited; Permeator Corporation and BRF Resources, Inc.	1970	100 Shares
Dale J. Bertling, President of the Company; National Petroleum Corporation Limited and BRF Resources, Inc.	1969	1,000 Shares
Herbert M. Zandmer, Vice-President of the Company; National Petroleum Corporation Limited and Permeator Corporation.	1969	22,125 Shares

In April, 1970, Mr. Prestwich became Managing Director, Chief Executive Officer and Chairman of the Board of the Company to fill a vacancy caused by the resignation of J. Robert Latimer, Jr. He also became Chairman of the Board and Chief Executive Officer of National Petroleum Corporation Limited, Permeator Corporation and BRF Resources, Inc. Since June, 1969, he has been a member of the Board of Directors of Food Baron Corporation, San Diego, California. From August, 1968 to June, 1969, he was Executive Vice-President of Kentucky Fried Chicken Corporation, and from July, 1967 until August, 1968, he was Vice-President of that Company. Mr. Prestwich was for more than five years preceding July, 1967, a principal share owner and active in the management of 19 affiliated Nevada corporations, operating 20 Kentucky Fried Chicken Outlets in Nevada and California.

In April, 1970, Mr. Dale J. Bertling became President of the Company. Since January, 1969, he has been President of BRF Resources, Inc. From June, 1964 to August, 1967, he was President of Compumatix, Inc. (computer data processing and service). On the merger of that company into Siboney Corporation he became President of the PDL Division of Siboney Corporation (training films and programme materials). Between October, 1968 and January, 1969, he was a private investor.

Since November, 1969, Mr. Herbert M. Zandmer has been a Vice-President of the Company. He has been Vice-President of Permeator Corporation and a Vice-President of National Petroleum Corporation Limited for a period in excess of five years.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration was paid by the Company to Officers and Directors for the fiscal year ended May 31, 1970.

The Company has no pension or retirement plan, nor any option plan to purchase capital securities of the Company.

APPOINTMENT OF AUDITORS

Thorne, Gunn, Helliwell & Christenson are the Auditors of the Company and have held such position for the past four years. It is proposed by the Management of the Company that such firm be re-appointed the auditors of the Company at the Annual General Meeting.

Unless otherwise instructed, proxy forms which are received pursuant to this solicitation will be voted for the re-appointment of Thorne, Gunn, Helliwell & Christenson as auditors of the Company.

VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

There are outstanding 5,268,590 shares having a par value of 20c each in the capital of the Company entitled to be voted at the Meeting. Each share is entitled to one vote. All Shareholders of record on October 30, 1970, are entitled to vote, but those desiring to be represented thereat by proxy must deposit their forms of proxy with the Company on or before 10:30 o'clock in the forenoon, M.S.T. (Mountain Standard Time), on November 18, 1970.

National Petroleum Corporation Limited is the beneficial owner of 1,670,570 shares of the Company's capital stock. This total represents approximately 31.71% of the outstanding voting securities of the Company.

DESIGNATION OF PROXY

The persons named in the enclosed instrument of Proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. If, however, a shareholder desires to appoint as proxy a person other than those designated, he should strike out the names of the persons designated in the Instrument of Proxy and insert the name of his representative in the space provided therefor. The person appointed to act as proxy need not be a shareholder. If the appointer is a corporation, the instrument appointing a proxy should be signed by the duly authorized officers of the corporation and must be under corporate seal.

OTHER BUSINESS

The Management is not aware of any matters to come before the meeting other than as set forth in the Notice of Meeting. Should other matters come before the meeting it is the intention of the proxy named in the accompanying proxy form to vote the same in accordance with his best judgment on such matters.

The shares represented by proxy forms received pursuant to the solicitation will be voted for items listed on the proxy form unless the shareholder otherwise directs in which case the shares will be voted in accordance with such direction.

By Order of the Board of Directors,

W. G. NICHOLS,
Secretary-Treasurer.

Calgary, Alberta
October 21, 1970

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**NORTHLAND
OILS LIMITED**

**Annual
Report
1970**

**CALGARY
ALBERTA
CANADA**

DIRECTORS

KENT E. PRESTWICH, Las Vegas, Nevada,
Chairman of the Board

DALE J. BERTLING, Chesterfield, Mo.

HERBERT M. ZANDMER, Calgary, Canada

OFFICERS

KENT E. PRESTWICH, Chief Executive Officer

DALE J. BERTLING, President

HERBERT M. ZANDMER, Vice-President

W. G. NICHOLS, Secretary-Treasurer

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Calgary, Canada

STOCK EXCHANGE
LISTINGS

The Company's shares are listed for trading on the
Toronto Stock Exchange and on the Calgary Stock
Exchange.

TRANSFER AGENT
AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA at
Toronto, Ontario and Calgary, Alberta

HEAD OFFICE

209 EIGHTH AVENUE S.W.,
Calgary 2, Alberta, Canada

This Annual Report is submitted for the general information of the existing shareholders and is not intended to induce the purchase or sale of the Company's shares.

Report of the President

TO THE SHAREHOLDERS
NORTHLAND OILS LIMITED

The Annual Report and Financial Statements of Northland Oils Limited (Northland) for the fiscal period ended May 31, 1970, are presented herewith. The total net loss for the fiscal year 1970 was \$50,797, as compared to \$42,649 for 1969. However, the financial strength of your Company was significantly improved. An increase in working capital of approximately \$124,000 resulted, while long-term debt was reduced by \$99,000. This change was due to conversion to common stock and exercise of stock purchase warrants associated with convertible debentures issued by Northland in 1968, as shown in Note 3 to the accompanying Financial Statements.

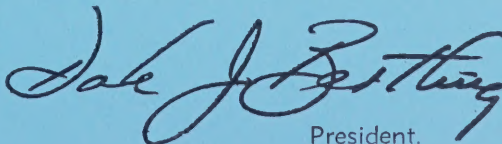
To exert a maximum effort toward profitability your Board of Directors, in late April, 1970, effected a management realignment. Mr. Kent E. Prestwich was appointed Chairman of the Board and Chief Executive Officer and Mr. Dale J. Bertling was appointed President, replacing Mr. J. Robert Latimer Jr., who remains as President of Permeator Corporation. Northland continues to hold 20,000 shares of Permeator common stock, acquired at a cost of \$105,064, which had a market value of approximately \$380,000 (U.S.) on October 15, 1970.

Northland is associated with a group of oil companies and others in the drilling of a gas well in the Uintah Basin of northeastern Utah. As announced in our interim letter of October 14, 1970, to which reference is made, this well has been drilled to a total depth of 9,675 feet, encountering 730 net feet of gas-saturated sand, as indicated by multiple Schlumberger logs and the casing has been run to bottom and cemented. The well has not been treated, nor have any production tests been conducted to date. This well will be chemically treated and tested in the very near future. Approximately 100 square miles comprises the drilling block on which this well is located. No results are available at this time.

Recently, Northland became associated with others in two oil leases in southern Louisiana on which there are five existing wells. In addition to treating these wells for sand control, it is anticipated that two new wells will be drilled in the near future. Presently, we are in the closing stages of acquiring two oil properties in southeastern Texas and are actively pursuing additional property in the Texas and Louisiana Gulf Coast region.

Overall, it appears that our outlook is one marked with optimism; however, profit and progress are never automatic and least of all to be taken for granted. Please be assured that we are determined to secure maximum profits based upon a program of constructive progress.

Respectfully submitted,



President.

October 21, 1970

Northland Oils Ltd.

(INCORPORATED UNDER THE
BALANCE SHEET —
(with comparative figures)

ASSETS

Current Assets	1970	1969
Cash, bank deposit receipts and accrued interest	\$211,180	\$ 88,919
Accounts receivable	1,250	1,282
Inventory of crude oil, at net realizable value	1,587	2,087
	<u>214,017</u>	<u>92,288</u>
 Investments		
Channel Oils Ltd. - 50 % of issued common shares, at cost	500	500
Advances, less accumulated losses \$273,779 (1969 - \$260,244)	53,611	37,719
	<u>54,111</u>	<u>38,219</u>
 20,000 Shares of Permeator Corporation, at cost (quoted market value 1970 - \$189,000; 1969 - \$734,400)	105,064	105,064
Royalty interest, at cost	6,562	6,562
	<u>165,737</u>	<u>149,845</u>
 Property, Plant and Equipment (note 1)		
Leases	155,048	153,338
Development	511,159	511,159
Equipment	327,973	321,729
	<u>994,180</u>	<u>986,226</u>
Less accumulated amortization and depreciation	458,281	424,023
	<u>535,899</u>	<u>562,203</u>
 Other Assets		
Organization costs	8,434	8,434
	<u>\$924,087</u>	<u>\$812,770</u>

AUDITORS' REPORT

To the Shareholders of Northland Oils Limited:

We have examined the balance sheet of Northland Oils Ltd. as at December 31st, 1970, and the results of its operations and the source of income and deficit, contributed surplus, and source of financing included a general review of the accounting procedures and supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Northland Oils Ltd. as at December 31st, 1970, and the results of its operations and the source of income and deficit, contributed surplus, and source of financing in accordance with generally accepted accounting principles for the year.

CALGARY, Alberta
July 24th, 1970

THOMAS
CHAMBERLAIN

s Limited

(LAWS OF ALBERTA)

May 31, 1970
at May 31, 1969)

LIABILITIES

Current Liabilities	1970	1969
Accounts payable and accrued liabilities	\$ 20,014	\$ 22,900
Long-Term Debt		
6% Convertible debenture due June 5th, 1970 (note 2)	—	99,000
6¾% Notes payable to National Petroleum Corporation Limited (note 3)	52,464	52,464
	<u>52,464</u>	<u>151,464</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 2)		
Authorized		
5,500,000 Common shares of 20c par value		
Issued		
5,268,590 Shares (1969 - 4,608,590)	1,053,718	921,718
Contributed Surplus	592,025	460,025
	<u>1,645,743</u>	<u>1,381,743</u>
Deficit	(794,134)	(743,337)
	<u>851,609</u>	<u>638,406</u>

Approved by the Board:

DALE J. BERTLING, Director

HERBERT M. ZANDMER, Director

<u>\$924,087</u>	<u>\$812,770</u>
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PORT

Is Limited as at May 31st, 1970, and the statements
lication of funds for the year then ended. Our exam-
and such tests of accounting records and other sup-
ces.

ly the financial position of the company as at May
and application of its funds for the year then ended,
plied on a basis consistent with that of the preceding

ERNE, GUNN, HELLIWELL & CHRISTENSEN,
ered Accountants.

Northland Oils Limited

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED MAY 31, 1970

(with comparative figures for 1969)

Revenue	1970	1969
Sale of oil and gas	\$ 34,285	\$ 32,315
Less royalties	5,724	5,115
	<u>28,561</u>	<u>27,200</u>
 Expenses		
Well operating	28,929	25,479
Interest on long-term debt	4,215	3,283
Office and clerical	3,210	1,800
General and administrative	4,153	4,515
	<u>40,507</u>	<u>35,077</u>
	11,946	7,877
 Other Income		
Interest	8,942	2,659
 Loss before undernoted items	3,004	5,218
Amortization of leases and development (note 1)	25,759	24,726
Depreciation of equipment (note 1)	8,499	7,874
Share of loss incurred by Channel Oils Ltd.	13,535	4,831
	<u>47,793</u>	<u>37,431</u>
NET LOSS FOR THE YEAR	50,797	42,649
Deficit at beginning of year	743,337	700,688
DEFICIT AT END OF YEAR	<u>\$794,134</u>	<u>\$743,337</u>

STATEMENT OF CONTRIBUTED SURPLUS

YEAR ENDED MAY 31, 1970

(with comparative figures for 1969)

	1970	1969
Balance at beginning of year	\$460,025	\$460,629
Premium on issue of shares (note 2)	132,000	—
	592,025	460,629
Less financial costs, debentures	—	604
BALANCE AT END OF YEAR	<u>\$592,025</u>	<u>\$460,025</u>

Northland Oils Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED MAY 31, 1970

(with comparative figures for 1969)

Source of Funds	1970	1969
Proceeds from issue of shares	\$165,000	\$ —
Issue of convertible debentures	—	99,000
Reclassification of notes payable to National Petroleum Corporation Limited	—	37,859
Advances from National Petroleum Corporation Limited	—	14,605
	<u>165,000</u>	<u>151,464</u>
Application of Funds		
Loss before amortization, depreciation and share of loss incurred by Channel Oils Ltd.	3,004	5,218
Additions to fixed assets	7,954	5,401
Advances to Channel Oils Ltd.	29,427	14,105
Financing cost - debentures	—	604
	<u>40,385</u>	<u>25,328</u>
INCREASE IN WORKING CAPITAL	124,615	126,136
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	69,388	(56,748)
WORKING CAPITAL AT END OF YEAR	<u>\$194,003</u>	<u>\$ 69,388</u>

NOTES TO FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

Amortization of lease and development costs is provided on a full cost basis whereby a unit of production cost is determined by pro-rating all lease and development costs incurred against total recoverable reserves of crude oil discovered.

The company computes depreciation of equipment on a straight line method based on estimated useful life.

2. CONVERTIBLE DEBENTURES AND CAPITAL STOCK

In the current year, 330,000 shares of capital stock were issued on conversion of the debentures issued in 1969 and an additional 330,000 shares were issued at 50c per share on the exercise of all of the warrants attached to the convertible debentures.

3. NOTES PAYABLE

Arrangements were completed subsequent to the year end to refinance by a long-term note the existing note payable to National Petroleum Corporation Limited. The original note matures in September, 1970.

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No such remuneration was paid in the current or prior year.

5. INCOME TAXES

The company claims for income tax purposes, capital cost allowances and costs of acquisition and development of petroleum leases in amounts different from the related depreciation and amortization reflected in the accounts. As a result, balances available to apply against future income for tax purposes exceed the related book values by \$145,000 and losses of \$29,000 remain to be applied.

